

## **Technical Standards: Arcane But Important**

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Although Korea's economy is now passing through a period of slower growth, the United States has high hopes for a rapid recovery in Korea, and the continued expansion and international integration of the Korean economy. Strong economic growth in Korea is good for the Korean people, good for long-term regional security, and also good for U.S. companies interested in trading or investing in Korea. Along with growth, we also hope to see further integration of the Korean economy with both regional and global partners.

One increasingly critical aspect of international economic integration is the development and setting of technical standards. This issue is especially important for newly emerging technologies in the telecommunication and information technology sectors.

The Roh Administration has launched an ambitious plan to identify and cultivate what it calls the "10 New Growth Engine Industries." Among these targeted industries are sectors such as next generation mobile communications technologies, digital TV, and digital content. Increased attention to the promotion of telecommunications or information technologies, through more basic research or regulatory reform, raises exciting possibilities for the future of the Korean economy.

As new and better technologies come on line, however, it will be extremely important to follow wise policies in the development and setting of standards for those new technologies, especially in the field of next generation mobile communications. Recently, the United States has become concerned that, in these new technological fields, the Korean government may take the road of trying to promote the development of "core technologies" by encouraging the selection of homegrown "Korea-only" technology standards -- and then mandating a single standard for emerging technologies -- rather than allowing companies and consumers to freely choose the technology that best suits their needs.

Standardization is important, and technological standards often play a vital role in successfully commercializing new technologies. However, it is important that such standards remain voluntary, allowing individual companies the choice of whether to participate in the standard-development process or not. Individual companies should also be allowed to choose whether to use the standardized technology, or to use a different, unique technology they believe best serves their customers.

An old-fashioned industrial policy approach of "picking winners" -- reminiscent of Japanese industrial policy in the 1970's -- can backfire in the long run by stifling innovation and leading to misplaced government investment. Markets, being composed of multiple independent decision-makers, are much better than governments are at forecasting future trends and are more nimble at adjusting to them. If an individual firm within a competitive market guesses wrong about the future, it may go out of business. If a government guesses wrong, the costs may be born by the entire economy. Imagine if the Korean government had mandated use of beta-format video cassettes in the 1970's.

In order to compete effectively in a global market, Korean companies deserve to have the flexibility to choose whatever technology they need, and to be able to commercialize new products and services quickly, without waiting for a time-consuming standardization process that limits their choices. Of course companies can and should participate in voluntary standardization processes. And they should be free to adopt accepted industrial standards. But standards should remain voluntary.